Kyle Bass Resource Page

KYLE BASS

"Capitalism without Bankruptcy is like Christianity without Hell-it does not work" - Kyle Bass

Kyle Bass is a Managing Partner at Hayman Capital Partners, LP. In addition, he serves as a mortgage-credit-portfolio advisor to numerous other asset-managing firms and manages over $4 billion of investments in the residential mortgage-backed securities market.

Bass is also a Director of the Asset Backed Securities at Credit Derivatives Users Association. Before launching Hayman Advisors, he constituted the first formal equity office in at Legg Mason, Inc., where he was the Managing Director of counseling exceptional situation accounts on investments.

Before joining Legg Mason, Bass was on the payroll at Bear Stearns & Co. Inc., where he was one of the youngest Senior Managing Directors in the company’s history. At Bear Stearns, he principally instructed event-driven hedge funds on investment tactics.
Hayman Advisors had 20 securities in its portfolio, which was valued at $588 million as of March 31, 2011. The value of Hayman’s portfolio rose dramatically since the 4Q2010, when it held 14 stocks valued at approximately $340 million as December 31, 2010. Hayman was fairly active as the firm closed 8 positions and added 14 new positions to its portfolio during the first quarter of 2011.

Among the securities it sold, Hayman’s biggest regret was probably Electronic Arts Inc. (ERTS). It held 450,000 shares in the previous quarter valued at $7.3 million. The stock returned almost 22% since the end of March 2011. The stocks that Bass sold actually outperformed the market since the end of first quarter.

Hayman was bullish for Royal Bank of Scotland during the first quarter of 2011, when it increased its long positions in the stock considerably.

The greatest returns Hayman generated in its long positions during 1Q2011 were in Barnes & Noble and BridgePoint Education, which have generated 99 percent and 45 percent returns since the end of March 2011, respectively.

- **Kyle Bass learned to love trading by playing Risk as a child.**
- **He has a plan for when everything crashes — buys guns and gold.**
- **Aside from gold bricks, he also keeps platinum bars.**
  Some things he collects are a little strange, like nickels.
- **Bass has a 41,000 square foot ranch house outside Dallas.**
- **Moreover, how does he get around that land? With a U.S. Army Jeep!**
- **Nevertheless, the jeep is not his only vehicle. He goes to work in a tricked out Hummer.**
- **He also spends money on his favorite cause—Wounded veterans.**

Bass is a finance wizard, a person with extraordinary powers of mind and intellect to gauge, to weigh, to understand and then to pronounce the verdict. He has the strong analytical skills and is not afraid to strike while the iron is hot.

Being the managing partner at Hayman Capital Partner, a leading hedge fund in the country, Bass ‘is right about everything’ says the media. He made millions by predicting the subprime mortgage debacle. Bass also acts as a mortgage-credit-portfolio adviser to several other asset management firms and advises over four billion of investments in the residential mortgages backed securities market.
As a back up planner, a lover of atrocities and a savior of the worst situations and a money maker by nature, he learned to love trading by playing risk as a child.

According to him, accumulation is a means of success and safety. Safety and security is everything and it should come at any cost. It should be there whether it comes in the form of gold bricks, platinum bars or three million nickels.

He has a 41000 square foot ranch house outside Dallas and he gets around on a U.S. army jeep. In addition, when he goes to work this he does on a tricked out hummer. Soft at heart he spends money on his favorite cause, wounded veterans.

When it comes to his bets in the credit market, notably mortgage backed securities in 2008 and the sovereign debt in 2011, he has a talent for always being right, thanks to his childhood games. Although he enjoys being able to "leave everything aside," Bass said he does not want to sit idle. His success formula is:

“Aligning incentives with all stakeholders notably costumers, employs and investors.”

Bass is reputed for his prophetic investment investigation of the subprime crisis. In September 2007, he testified as an expert witness before the House of Representatives Financial Services Capital Markets Subcommittee. In 2010 he participated as a Financial Market examiner before the Financial Crisis Inquiry Commission, a bi-partisan 10-member panel established by Congress to scrutinize the grounds of the financial catastrophe.

He is on the Board of Directors for The University of Texas Investment Management Co and is a founding member of the Serengeti Asset Management Advisory Board.

As a President and CEO of the Epic the top three strategies are, know the costumer, know the product, and focus on one thing. Unlike most prognosticators, Bass sees a three to five year window for a credible solution to the debt market or else kicking the can will cease to have any impact. He believes that optimistic self-deception biases leave common people unable to comprehend the scenarios as they either lead to a bad outcome or a nominally bad outcome.

Bass, the manager of Hayman, is betting on a massive wave of state bankruptcies and restructurings, particularly in Europe. However, you have to consider Bass and Hayman's record of accomplishment thus far. Much like John Paulson of hedge fund Paulson & Co, Bass also predicted the crisis.

Bass has gone as far to say that he thinks there will be massive sovereign defaults. While such extreme pessimism may be a catalyst for a short-term rally, we should be quite concerned if Bass' next set of predictions come true, as they would undoubtedly affect the long-term.

The results are shocking. There could be a cluster of defaults over the next three years, possibly sooner. the Hedge fund manager thinks that the hazard of default stems from a combination of both out-of-control public debt and liabilities from specific banks (like Fortis, RBS, etc.) that now prominently appear on sovereign balance sheets. Bass is clearly not ruling
out that possibility.

Background on Kyle Bass & Hayman Advisors

Kyle attended Texas Christian University (TCU) in Fort Worth, TX and now plies his trade at his Dallas based Hayman Advisors. We will have to see if his second leverage-based prediction plays out. If you have not quite had your daily dose of pessimism yet, then check out Hayman's March 2011 letter.

KYLE BASS ON EUROPEAN UNION

With no workable solutions in sight and a sovereign debt crisis only likely to get worse, the European Union is likely to see an ultimate breakup.

"They're going to have to restructure a lot of their debt. Eventually the European Monetary Union is going to have to break up," he said. "The adjustment mechanism that these countries need is a much weaker currency. It's very difficult to go through a hard restructuring and become competitive once again as a nation unless you have a currency adjustment mechanism that's associated with your restructuring."

Under current EMU rules, individual countries cannot devalue their currencies because they are all tied to the euro. As such, heavily indebted nations such as Greece cannot get out of their sovereign debt predicament while their currency remains at still-elevated values, though the euro has dropped off significantly against the dollar this week.

Currency devaluation, done through central bank money printing, would help cheapen the value of the debt.

The most recent proposal, which Bass called "sophomoric", would allow banks to borrow at low rates and then buy up the debt, but Bass doubts many large investors will be willing to join and help ease the crisis.

"It's a circular reference that I don't think institutional investors around the world are going to buy," he said. "They might hoodwink some retail investors into buying these things. When you look at the periphery today, there are no buyers for peripheral bonds other than the host countries' banking systems that are the host countries' sovereign banks. That seems to me like what you would do at the end."

Bass believes central banks will "take the nuclear option" and print money, but not until after debt, defaults occur. "There aren't any buyers of this debt in that kind of size," he said. "I don't see anything yet. Maybe if they come with some concrete data I'll change my mind."
HIS MUST READ ANNUAL LETTER TO SHAREHOLDERS

Bass has a gift of being able to break down complex global political and economic issues into an easy-to-digest framework. His yearly investor letters has become a must read for.

Bass’ underlying thesis is that the global credit market debt has reached a point of diminishing returns, and a global restructuring is required. Bass’ previous letters in 2010 and 2011 discussed the quantitative issues in detail.

Below are the highlights of is a letter published in March 2011:

- Total global credit market debt has grown at more than an 11% CAGR from $80 trillion to approximately $200 trillion. Over the same period of time global real GDP has grown at approximately 4% CAGR.
- The markets are already pointing to a break-up of the European Monetary Union. Bass points to absolute bond yields of Greece and Portugal and Italy / German spreads. Implied CDS ratings are oftentimes 6 – 10 notches below Moody’s ratings. This dislocation oftentimes leads to multi-notch downgrades.
- The EFSF is a circular reference. Simply, the mechanism requires guarantees from each of the member countries. As members of the EFSF seek aid, the structure fails. Akin to a group of people climbing a mountain linked together, as members fall the stress become incrementally greater for the other members.
- When (not if) there is a default, money printing is better left to the individual member countries as pre-default does not address the problem.
- Developed western economies have not defaulted since WWII, so there is this absolute faith in the perceived risk-free nature of sovereign debt. Once defaults begin to start, value at risk models will be “blown apart.”
- Japan will be on the front page soon.

The global restructuring that Bass discusses will not be pretty, and precious metals will likely be a beneficiary of the resulting safe-haven trade. The firm owns gold and silver in physical and ETF forms.

"We follow a policy of not timing the market, but slowly accumulating these metals, as they are our insurance policy against inflation. Investors interested in vehicles that retain physical metal should look into Sprott Asset Management’s Sprott Physical Gold Trust (PHYS) and Sprott Physical Silver Trust (PSLV),” he said in the letter.

KYLE BASS QUOTES

1. About European Government Debt Default
"Trust has been lost, confidence in the system is being lost, and the ultimate consequence of this break down - sovereign defaults - is imminent."

2. About Bank Run (Europe)

"Just as Latvians ran to the ATMs this weekend, so will depositors all over peripheral Europe in the months ahead."

3. About Greek Sovereign Debt

"For those who think a 50% write-down on debt will fix Greece, you have lost your mind. It is only a full wipe-out of the non-TROIKA-owned debt that is the only mathematical way for Greece to have any chance."

4. About War

"Fundamentally, it's about the social fabric of the world...what does this all mean? It means war."

5. About Germany

"People are lead in the press to believe that Germany is this island of kind of fiscal solitude and that they've been very responsible ... Germany has 81% on balance sheet sovereign debt to GDP and they haven't recapped their banks. Once Germany recaps it's banks it's worse than the US. It is worse than many other developed nations in the world. the reason it hasn't recapped it's banks is it doesn't have the money to do so."

6. About Eurozone

"I don't believe the EU survives in its current state. I believe that all the peripheral members are either going to have to get thrown out or Germany is going to have to step out."

7. About Silver

"Kyle Bass catches the falling knife. ... Buried at the bottom of Gregory Zuckerman's roundup of the last mad action in the silver market is a nugget that the Hayman Capital manager bought silver early on Friday morning."

KYLE BASS INTERVIEWS

1. Must Watch Kyle Bass Interview: "I Don't Know How I Can Be Long Stocks"

http://www.zerohedge.com/article/must-watch-kyle-bass-interview-there-no-way-i-can-be-long-stocks
1. Kyle Bass Discusses the Next Big Crisis and Where You Must Invest Your Money

http://fora.tv/landing/Kyle_Bass_From_Hayman_Capital_Hedge_Fund_Talks_At_The_2011Butt
onwood_Gathering?gclid=CPz3w-Ltz60CFUWDDgodHyujnQ

1. CNBC Interview with Kyle Bass on the Apocalypse Redux


1. Must See Rare Interview with Kyle Bass on The Euro-Crisis and Japan


1. Some Words Of Advice From Kyle Bass


1. Kyle Bass on the Fate of the World

http://www.financialsense.com/contributors/kyle-bass/2011/12/16/kyle-bass-on-the-fate-of-the-
world

1. Kyle Bass Interview

http://macrostory.com/2011/10/07/kyle-bass-interview/

1. Last Week's EU Summit Agreement Was A 'Doomsday Machine'

http://articles.businessinsider.com/2011-12-14/markets/30515046_1_central-bank-doomsday-
machine-cnbc
1. Kyle Bass on Hardtalk: Full Interview


1. Kyle Bass Video Interview Japan Gold And MF Global


1. Kyle Bass explains impending Greek default

http://www.youtube.com/watch?v=iXsi_uvxeRI

1. Kyle Bass: In Depth Interview On The European Debt Crisis


1. A World Awash: Debt and Its Consequences

http://fora.tv/2011/10/26/A_World_Awash_Debt_and_Its_Consequences?gclid=CM_2s5WT0q0CFURN3godun5Img#Kyle_Bass_We_Are_at_the_Worlds_Limit_in_Debt

1. Kyle Bass on BBC Hardtalk (Full Interview)


1. Kyle Bass: Restructuring Has To Happen For World To Grow Again (CNBC Interview)

ARTICLES ON KYLE BASS

1. Is Kyle Bass The New John Paulson?


1. Bass Shorted `God I Hope You're Wrong' Wall Street (Update2)


1. Hayman Advisors

http://www.hedgefundletters.com/category/hayman-advisors/
1. Texas University Takes Cue From Kyle Bass to Hold $1 Billion in Gold Bars


1. Remain Very Cautious Into 2012 - Kyle Bass

http://seekingalpha.com/article/313771-remain-very-cautious-into-2012-kyle-bass

1. Kyle Bass: Global Restructuring Required, Precious Metals To Benefit

http://seekingalpha.com/article/311314-kyle-bass-global-restructuring-required-precious-metals-
1. Meet the Texan investor who made millions from the credit crunch... and now he stands to make 65,000% profit if Europe goes down the drain


1. Kyle Bass On why he owns so much gold


1. Kyle Bass Wins Big on MGIC Turnaround
1. Oil & Gas Stocks the Most Guru Hedge Fund Managers Own: GP, HFC, SUN


1. Meet New Guru Kyle Bass Whose Firm Returned 340% in First Four Years


1. New Guru Added: Kyle Bass of Hayman Advisors; Buys MMR, ATNY, TSRA, Sells RKT, KKR
1. David Collum writes a detailed “Year in Review” for 2011, Kyle Bass and The Black Swan of Cairo


1. Kyle Bass: Meet the Texan investor who made millions from the credit crunch

http://topics.dallasnews.com/article/09HA8tK4yvaqw?q=Texas

1. Kyle Bass Destroys The Ponzi-Prone Debt Sustainability Arguments Of The Status Quo…And Why Germany Can’t Save The World

KYLE BASS VIDEOS

1. Kyle Bass at AmeriCatalyst 2011 [VIDEO]

1. Hour-Long Conversation with Kyle Bass About the Sovereign Debt Crisis
http://www.youtube.com/watch?v=5V3kpKzd-Yw&feature=mfu_in_order&list=UL

1. Kyle Bass Speaking at the Darden School of Business

1. A Greek Orderly Default Impossible: Kyle Bass
http://article.wn.com/view/2011/12/14/KYLE_BASS_Last_Weeks_EU_Summit_Agreement_Was_A_Doomsday_Mach/

1. VIDEO: Kyle Bass on Permanent Job Loss, The End of Growth & the Coming Unaffordable Debt Writedowns
http://maxkeiser.com/2011/12/03/kyle-bass/

1. Kyle Bass on BNN (video)
1. Video: Kyle Bass Explains The New World Order - Panel Presentation


1. Come Undone: Kyle Bass


1. Kyle Bass new video

http://www.wallstreetoasis.com/forums/kyle-bass-new-video

1. Hedger Kyle Bass Basically Tells the BBC That European Banks Are Insolvent


KYLE BASS PRESENTATIONS

Some great documents written by Kyle Bass